United Nations S/AC.37/2004/(1455)/18

# Security Council

Distr.: General
19 April 2004

Original: English

**Security Council Committee established pursuant to resolution 1267 (1999) concerning Al-Qaida and the Taliban and associated individuals and entities**

## Note verbale dated 19 April 2004 from the Permanent Mission of Bosnia and Herzegovina to the United Nations addressed to the Chairman of the Committee

The Permanent Mission of Bosnia and Herzegovina to the United Nations presents its compliments to the Chairman of the Security Council Committee established pursuant to resolution 1267 (1999) concerning Al-Qaida and the Taliban and associated individuals and entities and has the honour to enclose the new, expanded and updated version of the report by the Government of Bosnia and Herzegovina, as requested by the Committee (see annex).

04-30124 (E) 200504

**Annex to the note verbale dated 19 April 2004 from the Permanent Mission of Bosnia and Herzegovina to the United Nations addressed to the Chairman of the Committee**

## *CHAPTER II – Consolidated list*

*2. Data description and border crossing control have been explained in Chapter IV, Items 15 and 16.*

*3. Problems concerning identification of persons crossing the border have also been described in Chapter IV, Item 16.*

*5 and 7. In regard to executed check ups there are difficulties in terms of missing true identification information for some individuals from the said lists.*

*It has been established through previous checks of available police evidence that there are six persons from the list of those who belong or are connected with Al-Quaida. They are: Saleh Nedal, Amdouni Mehrez, Lionel Dimont, Khalil Jarraya, Chafik Ayadi, and Yasin Al Kadi.*

*Available information on the said persons is as follows:*

*Saleh Nedal called "Hasim", son of Mahmoud and Zehr, born on 01 March 1970 in Taiz, Yemen, alias Nedal Mahmoud N. Saleh, born on 26 March 1972 in Taiz, Yemen. The said person acquired the citizenship of BiH from which he was withdrawn in November 2001.He got married to BiH national Mrkonja Indira whom with he lived in Bugojno, Armije BiH St. 83. He has been on file for criminal act of illegal possessing of arms and explosive materials for which he has been in jail for 3 years. According to this ministry available information Saleh Nedal was arrested in Italy on 19 August 2003 on the grounds of diffuse wanted circular of IP Rome.*

*Dumont Lionel called "Abu Hamza", born on 21 January 1971 in Roubaix – France, citizen of France, son of Jean and Kereza, according to available information used false names Di Karlo Antonio, Merlin Oliver Christian Rene, Arfauni Imad Ben Yousset Hamza. He lived in Zenica, Kranjcevica St. 3, with BiH national Jasarevic Azra. In 1997 the said person was sentenced to 20 years of imprisonment that went into effect, because of criminal act of serious cases of armed robbery and banditry, attack carried out on an official person while performing security duties, illegal possession of arms and explosive materials. On 26 May 1999 Lionel Dumont fled from KPZ Sarajevo where he was serving a sentence. Wanted circular has been sent out for him on the grounds of whom Interpol Secretariat General has sent out red wanted circular. According to available operative information, on the grounds of international wanted circular, Lionel Dumont has been arrested in Germany.*

*Khalil Jarraya, born on 08 February 1969 in Sfax, Tunisia, BiH naturalized citizen, married to BiH national Enisa Salihovic whom with he has a child. His residence address is in Sarajevo, Dr. Fetah*

*Becirbegovic St. 1. On 06 June 1999, in the territory of Sarajevo Canton, he was arrested on the grounds of IP Rome diffuse wanted circular. After extradition procedure, brought against him because he is national of BiH, extradition to Italian judicial authorities was rejected and he was free. According to available operative information, on the grounds of international diffuse wanted circular, he has been arrested in Italy.*

*Amdouni Mehrez, son of Mahmoud Ben Sasi, born on 18 December 1969 in Tunis-Asima-Tunis, naturalized citizen of BiH, possessed BiH passport No.0801888. On 09 September 1999, on the grounds of IP Rome international wanted circular, he was arrested in Istanbul-Turkey. According to available information, on 15 December 2000 he was extradited to Italy.*

*Chafik Ayadi, son of Mohamed and Medina, born on 21 January 1963 in Sfax, Tunisia, naturalized citizen of BiH, had registered residence in Sarajevo in the Street of Provare, No. 20, by profession a graduated engineer of architecture. He passes police evidence because of founded suspicion that he has committed a criminal act under Article 257, par.1 of FBiH Criminal Code (causing bankruptcy). For the said criminal act and on the grounds the Cantonal Court Sarajevo order international wanted circular has been sent out. According to this ministry available information Chafik Ayadi is in Ireland now, in Dublin.*

*Yasin Al-Kadi, we do not possess personal data, but on the grounds of conducted operational check ups registration of the said person has been established as stockholder of Depozitna banka D.D. Sarajevo which through the joining process became part of Vakufska banka. According to available information the named person is through business connected with Chafik Ayadi. His name has also been mentioned in the Annex to the USA President Executive Order regarding freezing financial and economic assets of the persons supporting terrorist activities.*

*Through available evidence checks presence of three persons that have resemblance in identification data has also been established:*

- *In the list under item a) persons who belong or are connected with the Taliban (under ordinal number 89) name of Abdul Jabbar has been mentioned, other data unknown. A person named Abdul Jabar could be found in our evidence, or more precisely:*

*Abdul Kader Abdul Jabbar Ahmed Al Hamdani, son of Abdul Jabbar and Zehra, born on 01 February 1960 in Baghdad, Iraq, used to have residence in Zenica, Kulina bana St. 87, by profession a doctor, he does not pass criminal and operational evidence.*

- *In the list under item a) persons who belong or are connected with the Taliban (under ordinal number 137) name of Abdul Quadeer has been mentioned, other data unknown. Through our available evidences passes a person whose personal data contain a name of Abdel Quader, or more precisely:*

*Abdel Qader A.S. Al Kfaween, son of Refeh, born on 26 August 1965 in Jadiah, Jordan, by profession a journalist, used to be employed in H.O. "Qatar Charitable Society" office in Zenica, with the*

*residence in Zenica as well, Prve zenicke brigade St. 23-A, bearer of Jordan passport No.E255152, does not pass criminal and operational evidence of this ministry.*

- *In the list under item a) persons who belong or are connected with the Taliban (under ordinal number 83) name of Abdul Haq Wasseq has been mentioned, other data unknown. Through our available evidences passes a person whose personal data contain a name of Abdul Haq, or more precisely:*

*Abdul Haq, son of Ibrahim Muhamed, born on 18 January 1964 in Mirpur, Pakistan, in 1995 came to BiH as a member of UNPROFOR, Pakistan battalion, where he stayed until 1996 when he went to Pakistan and came back to BiH in 1997. The same year he got married to BiH national Kopic Mirzeta, a farmer. He has been granted residence in the territory of BiH until 2004 and he does not pass through criminal-operational evidences.*

*Through conducted check ups of legal subjects appearing in the Security Council document presence of the following humanitarian organizations has been established in the territory of FBiH: "GLOBAL RELIEF FOUNDATION", "AL HARAMIAN ISLAMIC FOUNDATION", "BENEVOLENCE INTERNATIONAL FOUNDATION", "BOSANSKA IDEALNA FUTURA". The following information on the above organizations is at our disposal:*

*HO "GLOBAL RELIEF FOUNDATION" was for the first time registered in 1999 as a foreign humanitarian organization in BiH with the main office in Sarajevo, Put mladih Muslimana St. 30-A. Muhamed El Nagmy, son of Ibrahim, is an authorized person for representation of this humanitarian organization. He was born on 24 July 1956 in Cairo-Egypt, national of Egypt with residence in Sarajevo, Safeta hadzica-cikma St. 17. On 14/15 December 2001, on the grounds of FBiH Supreme Court Order, this ministry carried out search of the apartment of Muhamed El Nagmy in Sarajevo, as well as of office rooms of humanitarian organization "TAIBAH INTERNATIONAL" IN Sarajevo and Travnik in which Muhamed El Nagmy was also employed. After executed searches and after work control of HO "GLOBAL RELIEF FOUNDATION" the said foundation was by the Decision of Financial Police contemporary forbidden to work starting from 19 November 2002.*

*HO "AL HARAMAIN ISLAMIC FOUNDATION" is a foreign organization whose presence was registered in FBiH in 1994. This humanitarian organization had main offices in Sarajevo, Bihacka St. 14 and in Travnik, Potur mahala St. 64. On 03 June 2002, on the grounds of FBiH Supreme Court Orders, searches of office rooms were carried out of HO "Al Haramain Islamic Foundation" in Sarajevo and Travnik and crime investigation has been carried out for the following persons, also employed in this organization: Ali Ahmed Abdulrashid, Safet Durgutic, Emad Al Jarban, Mohamed Ben Salem. After finishing the activities on control of work of this organization, HO "Al Haramain Islamic Foundation" with its main offices in Sarajevo, Bihacka St. 14 and in Travnik, Potur mahala St. 64 has been closed.*

*HO "BENOVALENCE INTERNATIONAL FOUNDATION" is a foreign humanitarian organization whose presence in the territory of FBiH was registered in the period 1996-2001. In this period Nabil Al Hassan, Hatman Ghawji, Enam Arnaout, Nasreldin Mohamedain, Mohamed Anas Tallawi, Syed*

Sukeman Ahmet, Cosic Alen, Mohammed Frzat Nimh and Jamal Nyrbe acted as authorized representatives of HO "BIF". On 28 December 2001 at the request of the HO "BIF" authorized representative Enaam Arnaout this organization stopped working in BiH and was erased from the register of foreign humanitarian organizations. On 01 May 2001 Protocol was signed on mutual cooperation between HO "Benovalence International Foundation" and local HO "Bosanska idealna futura", so that by this protocol HO "Benovalence International Foundation" handed over all its projects in BiH to the local HO "Bosanska idealna futura". Director of this humanitarian organization in FBiH was Enaam Arnaout for whom we have information that he has been arrested in USA and that legal proceedings have been brought against him.

HO "BOSANSKA IDEALNA FUTURA", is a local humanitarian organization that had a main office in Sarajevo, Salke Lagumdzije St. 12 and an office in Zenica, Hadzije Mazica St. 16 F. This humanitarian organization, as we said above, signed Protocol on mutual cooperation with HO "Benovalence International Foundation". Director of this HO was Zahiragic Munib. Managing board of this organization was made up of: Zahiragic Munib, Enaam Arnaout and Cosic Alen. On 19 March 2002 by the order of the FBiH Supreme Court this ministry carried out search of HO "Bosanska idealna futura" office rooms in Sarajevo and Zenica, as well as search of the apartments of this organization authorized persons. Legal proceedings against the authorized persons are in progress within the FBiH competent institutions. After finalization of the activities relating to HO "Bosanska idealna futura" with its main office in Sarajevo, Salke Lagumdzije St. 12, this organization was closed.

Further checks through available police evidences are still in progress for all the persons mentioned in the Security Council's lists. You will be informed on all new facts relating to those persons as well as to the said legal subjects. Federal prosecutor offices have been informed on this report in order to create complete picture on these forms of cooperation with other competent institutions of BiH.

8. Adoption of the Law on BiH Intelligence-Security Agency is in the final phase. This agency predicts the opportunity of exchanging information with other intelligence services, in particular those concerning fight against terrorism and organized crime. Changes and amendments to the Law on Security and Information Protection Agency (SIPA) are in procedure as well anticipating establishment of Financial Intelligence Unit with the final aim of monitoring all suspicious financial transactions, special departments for fighting against terrorism and adoption of the Law on Prevention of Money laundering at the state level. By Decision of the Council of Ministers Coordination Team for Counter-Terrorism has been established and it includes all relevant authorities and institutions in BiH. Memorandum of Understanding the Need of Strengthening Capabilities in Fighting against Terrorism has been signed by Chairman of the Council of Ministers, Entities Prime Ministers and Prime Minister of Brcko District. We are currently working on establishment of the Task Force for fighting against terrorism. In regard to the legal subjects we may say that the Law on Registration of Legal Subjects at the state level is in procedure as well as establishment of complete database on all non-governmental organizations and associations in BiH. New criminal act of "financing terrorist activities" has been defined by BiH Criminal Code of 10 February 2003.

## CHAPTER III – Financial and Economic Assets Freeze

9. Banking Agency of Federation of Bosnia and Herzegovina (hereinafter "Agency") is an independent financial institution, established by the Law on Banking Agency of Federation of Bosnia and Herzegovina ("Official Gazette of F BiH", No.9/95, 27/98, 20/00, 45/00, 58/02, 13/03 and 19/03). Basic tasks of this agency have been defined by the provisions of Article 4 of the Law on Banking Agency and by the provisions of the Decision on Supervision of Banks and Procedures of Banking Agency of Federation of Bosnia and Herzegovina ("Official Gazette of F BiH", No.3/03) and they could be reduced as promotion of security, quality and legal dealings of market oriented stabile banking system in Federation of Bosnia and Herzegovina.

On the grounds of appropriate laws or pursuant to special resolutions of the UN Security Council the Agency is obliged to carry out activities in supporting counter-terrorist measures concerning banks, of course, in cooperation with relevant institutions. It has been defined by the provisions of Article 4 of the Law on Agency that this agency is further obliged to take all necessary activities, including blockade of clients' accounts in any bank in Federation of Bosnia and Herzegovina, aiming at prevention of financing terrorist activities. On the basis of the High Representative's Amendment to Art. 4 it has been said that the Agency's tasks are as follows:

- at the request of the authorized officials, on the grounds of appropriate law or pursuant to special resolutions of the UN Security Council, that is, in cooperation with relevant institutions, activities in supporting counter-terrorist measures concerning banks;
- at the request of the Central Bank of Bosnia and Herzegovina to open special account for reserves for any commercial bank having account of any of the clients established in the above mentioned item;
- request of the bank or banks in which accounts have been blocked in terms of the above mentioned item to carry out transfer of assets from those bank accounts for saving to the Central Bank of Bosnia and Herzegovina or in any of its main units.

This has also been added:

In order to avoid any vagueness, hereby it is explicitly established that the Banking Agency of F BiH may (not effecting the entire scope of measures at its disposal under the Law on Banks of Federation of Bosnia and Herzegovina) deprive the work license of the bank not meeting the order for blockade or the request from Article 4 of this law.

Each individual, legal person or body, whether the matter is of bank or something else, that conscientiously or unintentionally acts in the manner that it causes avoidance or an attempt to avoid the order for blockade, as set out in the above paragraph, transferring the assets from the account or to the bank account, if speaking about a bank, comes under the possibility to lose work license and, if speaking about a holder of bank account, under the possibility for his account to be blocked and put to the list as previously established.

*Each individual, legal person or body that conscientiously or unintentionally acts in the manner that it cause avoidance or an attempt to avoid the order for blockade, as set forth in this article, transferring the assets from the account or to the bank account, the Banking Agency of F BiH may, even in the case of a holder of bank account, pronounce administrative fine up to the value of double amount compared to the one in the said avoidance attempt. The Agency is entitled to be paid a fine as a debt determined by court decision in a legal procedure.*

*In the case that an individual, legal person or body performs transaction by which he avoids the order for blockade issued in terms of Article 4 of this law or attempts to make such transaction, the Agency is entitled to require from such individual, legal person or body to present all documentation relating to the said transaction.*

*The Agency shall be empowered to start the procedure with the authorized court (in the same manner as set forth in Article 3 of the Law on Banks in Federation of Bosnia and Herzegovina) of seizing the assets, books and records of any individual, legal person or body that conducts operation of avoiding or attempt of avoiding the order for blockade as previously described, and to liquidate the business of such individual, legal person or body.*

*By the provisions of Article 47 of the Law on Banks it has been defined that no bank shall acquire, convert or transfer, or be instrumental in the acquisition, conversion or transfer of, money or other property if the bank knows or can reasonably expect that the money or other property are the proceeds of criminal activity and that they can be used for supporting persons included in terrorist activities.*

*11. For the purpose of performing the said activities, on the grounds of the provisions of Article 11 of the Decision on minimum standards of banking activities in prevention of the banking system for the purpose of money laundering and financing terrorism ("Official gazette of F BiH", No. 3/03) the Agency has defined the principle "know-your-customer" that banks are obliged to apply in dealing with their customers. In applying the said principle banks are obliged to define policies on: customer's acceptability, customer's identification, monitoring the accounts and transactions of a customer managing risk of money laundering and financing terrorism. By the provisions of Article 16 of the said Decision the Agency has prescribed the obligation for banks to conduct permanent monitoring of accounts and transactions of their customers aiming at prevention of financing terrorism, what includes informing the authorized institutions and blockade of financial assets suspected of serving for financing terrorism or persons who are supporting terrorism.*

*Through such decision the Agency has fully regulated all recommendations of Basel Committee concerning supervision of banks and organizations of FATF. The most important requirements from regulations that banks have to fulfill in order to perform their duties are as follows:*

*Article 2*

*Banks are required to have a written Program of implementation of activities stated in Article 1 of this Decision, that is the Program for prevention of risk of money laundering and terrorism financing,*

*as well as for implementation of adequate control procedures (the Program) that will ensure that the Program, policies and procedures are fully implemented in practice.*

*Banks, including its head office and all of its branches and other organizational units located in the country and in abroad, are required to fully implement provisions stated in the Program, as well as all policies and procedures. Banks are required to pay special attention to activities of their branches and other organizational units located abroad.*

*As for regulations stated in the previous paragraph and their implementation, banks are required to ensure that high ethical and professional standards exist with their employees and to provide for efficient prevention of any possibilities for the bank to be, consciously or unconsciously, misused by any criminal elements, which includes prevention, detection and reporting of authorities on criminal actions and frauds, that is reporting the suspicious information and activities.*

*Article 3*

*It is required that the Program mentioned in the previous article includes the following policies:*

1. *policy on customer suitability;*
2. *policy on customer identification;*
3. *policy on permanent monitoring of accounts and transactions; and*
4. *policy on managing the risk of money laundering and terrorism financing.*

*Article 4*

*Banks are required not only to determine the identity of its customers, but also to constantly monitor its account activities and to verify and determine whether transactions are performed in a normal and expected manner taking into account the nature of the account.*

*"Know Your Customer" should be a central element of the procedures for managing the risk and for performing adequate controls, but it is necessary to amend the same with regular internal reviews and internal audit of compliance of bank's operations with requirements stated in the Law on Prevention of Money Laundering, Law on Banks and in other regulations (laws and other regulations).*

*Within the Program and Policies on Managing Risk of Money Laundering and Terrorism Financing, banks are, among other things, required to develop and consistently implement clear and precise procedures for reporting to certain internal bank bodies and authorized institutions on all legally required and suspicious transactions of its customers, based on the law and relevant regulations.*

## *II Customer Acceptance Policy*

*Article 5*

*Based on the customer acceptance policy, bank is required to establish a clear policy on the issues like which and what kind of customers are suitable for the bank, as well as to prescribe overall procedures for implementation of this policy. This policy needs to especially encompass a description*

*of types of customers bearing a higher then average risk to the bank and bearing the highest risk level. Aside from that, the policy needs to include such elements as: background information and reputation of customers, customers' home country, public or some other high position of an individual, related accounts, type and nature of business activities and other possible indicators of risk.*

*Policies, as well as procedures for their implementation, need to be adjusted to a requirement that customers need to be reviewed and rated based on the level of risk the customer represents in a way to have the customers with the highest risk level be subject to the most severe and most detailed review and documentation request.*

## *III Customer Identification Policy*

*Article 6*

*Policy on customer identification should be a major element of the "Know Your Customer" standard. In the sense of this Decision, bank customers are:*

1. *individuals and legal entities opening or have opened accounts with banks;*
2. *individuals and legal entities in whose name and in whose behalf bank accounts are being opened or are opened, that is end user/holder of account;*
3. *individuals and legal entities intending or performing financial transactions through the bank;*
4. *individuals and legal entities performing transactions through different kinds of intermediaries; and*
5. *any individual and legal entity who is related to the financial transaction that can expose the bank to the reputation risk or to some other type of risk.*

### *1. Customer Identification*

*Article 7*

*Banks are required to determine a detailed and overall procedures for identification of new customers and are prohibited from establishing new business relations with the customer unless the identity of new customers is determined in a fully acceptable fashion.*

*Banks are required to document and implement policies for identification of customers and for identification of individuals acting in their behalf and for their benefit. Generally, documents bank uses to determine their identity need to be of such nature that it takes certain amount of difficulty to collect them legally or to forge them, as well as documents prescribed by other appropriate regulation. Banks should pay special attention to nonresident customers and they can not narrow down or have an incomplete implementation of procedures for determination of customer identity for the cases where the new customer is unable to fully present himself/herself during an interview.*

*In the case of non-resident customer, bank should always ask a question to itself and to the customer: why has such customer chosen to open an account with this particular bank in this particular country.*

*Identification process is performed at the beginning of a business relationship. However, in order to ensure that documents are valid and relevant, banks are required to perform regular reviews of existing documents. Also, banks are required to perform such reviews in all cases where there are some significant transactions performed, where there are some significant changes made in a way the customer uses the account for performing different transactions and where the bank constantly changes standards for documenting the identity or transactions of customers. In cases when banks become aware they don't have sufficient information on certain existing customer, they are required to undertake certain urgent measures for collecting such information in the fastest way possible* ***and they can not perform requested transactions until they receive the mentioned information.***

*Once banks establish the business relationship with the new customer, as well as in cases mentioned in the previous paragraph, they are required to verify and collect information on customers from specialized service bureaus (credit bureaus) if there are such bureaus and if such services are available to banks, but to use all other possible sources such as reference materials to be acquired by third parties, through certain service checks, telephone books, other possible address books, web pages, etc.*

*Article 8*

*As for customer identification and for every individual transaction, banks are required to prescribe standards for types of necessary documentation and time periods for maintaining such information, at a minimum in accordance with appropriate regulations for maintaining documentation.*

## *2. General Requirements for Customer Identification*

*Article 9*

*Banks are required to ask for all necessary documentation in order to have a full and accurate identification of every customer, as well as to determine the purpose and intended nature of business relationship with the bank*

*For individuals wanting to become bank customers, banks are required to determine their identity and ask for the following information and documents:*

1. *name and surname;*
2. *permanent residence address;*
3. *date and place of birth;*
4. *unified citizen's number or passport number and country issuing passport for nonresident customers;*
5. *name of the company the individual is employed with;*
6. *description of sources of funds;*
7. *sample signature;*
8. *I.D. card, driver's license, passport or some other official document proving the identity (with a photograph);*
9. *Information and documents (the same as for the customer) of authorized representatives; and*

*10. Other – in accordance with appropriate regulations.*

*Banks are required to verify all information and data by reviewing original documents issued by authorities, including I.D. cards and passports. In direct contacts, check the customers photograph in the documents. Every subsequent change of the above stated information or documents must be verified and documented.*

*For **all** original documents that can not be left with the bank, bank is required to **ask for them to be photocopies and certified by an appropriate authority.***

*For legal entities wanting to become bank customers, banks are required to ask for the following information and documents:*

1. *proof of their legal status – statement from the registry book, that is registration with the registry institution;*
2. ***I.D. number assigned by the Tax Authorities;***
3. *contract – document of establishment;*
4. *operating license if necessary for the particular type of business;*
5. *financial statements of operations, especially in case of accounts of larger companies;*
6. *document describing basic business activities of customer;*
7. *sample of authorized signatories;*
8. *information and I.D. documents containing photographs of authorized representatives and sample of their signatures;*
9. *other – in accordance with appropriate regulations.*

*In all of these cases, banks are required to verify documentation and to verify whether the company actually exists or nor, whether it can be found on the stated address, whether it actually performs the stated business activities. As for original documentation or court certified copies, banks are required to maintain the same for their own needs and in accordance with the legal regulations.*

*Bank can not open an account nor operate with such a customer who insists on staying anonymous or who gives a false name.*

***Banks can refuse to open accounts to customers without requirement of an** explanation.*

### *3. Special Identification Questions*

*Article 10*

*In all cases of customer identity determination, banks are required to act in accordance with all policies and procedures, as well as with all applicable regulations. Aside from other elements, banks are required to pay special attention to the following cases:*

*3.1. Trustee and nominee accounts*

*Since trustee and nominee accounts can be used to hide or avoid bank procedures for customer identification, banks have to establish a kind of procedures that will efficiently determine the true identity of the actual beneficiary or owner of the account. In doing that, they are required to ask and receive satisfactory proof of identity of every intermediary, trustee and nominee, but also of individuals that they represent, that is the actual account beneficiary or owner.*

*3.2. Special purpose intermediaries*

*Banks are required to be especially careful to prevent business companies (with certain specialized business purposes), especially international business companies, using individuals as tools to work through anonymous accounts. Since efficient identification of such customers or end users is extremely difficult, banks are required to pay special attention to understanding and discover the structure of such company's organization, to determine what are the real sources of funds and to identify end users or owners or individuals actually controlling the funds.*

*3.3. Companies specialized in customer due diligence review*

*When banks engage specialized companies for due diligence reviews of its customers, they have to pay special attention to determine whether this is a sound company and whether these due diligence reviews are performed in accordance with the standards listed below. However, regardless whether a specialized due diligence companies is engaged or not, the final responsibility is with the bank itself. It is for the mentioned reasons that banks are required to use the following criteria to determine whether the specialized companies are acceptable or not:*

1. *specialized company must comply with the minimum practices for customer due diligence reviews as stated in this Decision;*
2. *customer due diligence procedures implemented by specialized companies must be at least as strict as procedures performed by banks themselves;*
3. *bank must be satisfied regarding reliability of the system used by the specialized companies in customer due diligence;*
4. *an agreement must be reached between the bank and the specialized company enabling the bank to check the performance of the due diligence review performed by the company during any stage of this review;*
5. *all relevant identification information and documents related to customer identity have to be immediately forwarded to the bank by the specialized company. Bank is required to perform an immediate and careful review of the same. Such information has to be available to the bank supervisors review based on the law.*

*3.4. Customer accounts opened by professional intermediaries*

*When a bank discovers or has a reason to believe that the account opened by the professional intermediary in favor of an individual customer, the bank* ***is required*** *to determine the identity of such customer. In cases when professional intermediaries open a consolidated account including several*

*customers and in the case when sub-accounts are opened within the mentioned consolidated account, banks are required to determine the identity of all customers individually.*

*In the following cases banks are required to deny the account opening request:*

1. *when an intermediary is not authorized to provide the bank with necessary information on real source of funds, for example attorneys limited by the professional secrecy code; and*
2. *when an intermediary is not subject to due diligence standards equivalent to standards stated in this Decision.*

*3.5. Private banking and publicly and politically exposed customers*

*In cases when persons known to be reach individuals or persons found on highly important public functions submit requests for account opening, banks are required to fully implement all procedures for customer identification and customer documentation and are also required to implement the same process to companies related to the mentioned.*

*Banks are required to collect all necessary information and documentation from the new or existing customer personally or by his intermediary, but to use maximum efforts to verify the same through public information or through information available to banks. Also, banks are required to perform a review of sources of funds found on these accounts before declaring the decision on account opening.*

*3.6. Non-face-to-face customers*

*Banks are required to implement efficient procedures for customer identification and to implement the standards for continuous monitoring of the same in relation to non-face-to-face customers who open accounts by telephone or by different electronic technologies, as for any other customer. In these cases, banks can perform an independent review of such customer by a reputable third party, such as the company specialized in due diligence reviews of customers.*

*In accepting a business relationship with non-face-to-face customers, banks are required to do the following:*

1. *implement equally efficient identification procedures as for other customers; and*
2. *determine special and appropriate measures for decreasing the higher risk level existing in operations with these persons;*

*Aside from other measures, banks are required to implement the following measures to decrease the risk:*

1. *certification of submitted documents;*
2. *require additional documents that are not obligatory for other customers;*
3. *bank contact with the customer;*
4. *engage the third party, that is the specialized due diligence company;*

5. *require that first payment is made in behalf of the customer and through an account of opened with some other bank that is also required to implement similar standards for customer due diligence reviews.*

*3.7. Correspondent banking*

*In the process of establishing correspondent relationships with other banks, especially with banks abroad, and in order to avoid situations where banks are exposed to risks of discovering to be involved in maintaining and/or transferring money connected with illegal, that is criminal activities, banks are required to perform a due diligence review of these accounts.*

*Banks are required to gather all necessary information on their respondent banks in order to have a full knowledge of the nature of operations of their respondent banks. Necessary factors and information are:*

1. *location (country) of correspondent bank;*
2. *management of correspondent bank;*
3. *major business activities of correspondent bank;*
4. *efforts of correspondent bank in area of prevention of money laundering and prevention of terrorist financing, as well as adequate customer acceptance policies and know your customer policies;*
5. *purpose, that is the reason for account opening;*
6. *identity of third party to be using the correspondent banking services;*
7. *condition of bank regulations and supervision function in the correspondent bank's country, etc.*

*Banks are allowed to establish correspondent relationships only with those banks that are located in countries where authorized institutions perform efficient bank supervision.*

*Banks are required to prevent the risk of correspondent accounts being used, directly or indirectly, by third parties to perform activities on their own behalf.*

*3.8. Courier and/or similar transactions through "money bag transfers"*

*Banks are required to establish special verification and monitoring procedures related to cash transactions known as "money bag transfers" that customer perform in person, through a courier or other persons performing transfers. Since these types of transactions, whether incoming or outgoing, include high risk, it is necessary for the bank to pay special attention and caution to these types of activities.*

*3.9* ***Inactive accounts***

***In cases of inactive accounts, banks are required to be specially careful if the same unexpectedly activate, especially if their activation involves transactions in larger amounts or if they involve***

***some of the indicators of suspicious transactions. In cases like this, among other things, it is necessary for the bank to repeat the verification of the identity of the customer.***

*3.10. Vaults – safe-keeping*

*In activities related to the vault, that is safe keeping of certain items, envelopes or packages, banks are required to establish special procedures to adequately identify individuals and/or companies that are not their customers and that do not have accounts opened with them. An important element of these procedures is providing for the identification of the true owner of items in the vault.*

***4. "Know Your Customer" and Development of the Customer Profile***

*Article 11*

*In every day operations and relations with customers, bank must find out and get to know their customers' activities, to thoroughly understand their operations, to know their financial and payment habits, important information and documentation on customers' business relations and cash flows, types of business relations that customers maintain and to know their business contacts, their local and international market practices, common sources of debits and credits within their accounts, use of various currency, frequency and size, that is scope of transactions, etc. Banks are especially required to:*

1. *in the case of business companies to get to know the ownership structure of the company, authorized decision makers and all other persons who are legitimately authorized to act in their behalf;*
2. *request from its customers to submit information in advance and in timely fashion and to document any expected and intended changes in form of and in way of performing its business activities;*
3. *pay special attention to well known customers and publicly known persons and to ensure that their possible illegal or suspicious operations do not jeopardize bank reputation.*

*Based on the elements from the previous paragraph, banks are required to develop a profile of its customers. This profile will be included in the special registry of all customer profiles, as organized by banks them selves. The customer profile developed by the bank will be used as general additional indicator in the process of monitoring operations with customers and is also used for determining:*

1. *orderly, continuous and easy way of conducting operations and relations between the bank and the customer. This can be used to have an easy and quick review of customer at any given time; and*
2. *every unusual behavior and differences in customer's behavior already determined in the profile or in account turnover. This can be used for easy and quick identification and initiation of appropriate procedures.*

### *4. Irregular and Uncommon Behavior Giving Basis for Suspicion*

*Article 12*

*Banks are required to ask their customers to explain every significant change in behavior. In the case that customers can not provide or gives a poor founded and not justified explanation, banks should find such behavior suspicious and should initiate procedures for a detailed review, which could include contacting the authorities.*

*Among other, irregular and uncommon behaviors giving the basis for suspicion are:*

1. *unexpected change in financial behavior of the customer that can not be explained with business or financial motives;*
2. *unexpected new persons, businesses and/or geographical areas introduced by the customer, that do not fall into already known way and type of operations, business and financial network of the customer;*
3. *special characteristics of certain transactions that do not fit into the regular practice of the customer;*
4. *use of funds from customer's account for irregular and that are not included the bank-customer arrangement;*
5. *explanation of transactions given by customers is poor and seems to be false;*
6. *frequent transactions in amounts below the amount required to be reported by the law to authorized institutions;*
7. *when a customer closes the account by taking the entire account balance in cash or dividing that amount to several smaller amounts and distributing them to several newly opened accounts;*
8. *when bank employees do not have clear evidence of criminal activities, but suspect that possibility.*

*This Decision also includes an Attachment stating indicators of suspicious financial transactions.*

## *IV Policy on On-Going Monitoring of Accounts and Transactions*

### 1. Monitoring for Purposes of Prevention of Money Laundering

*Article 13*

*Banks are required to perform an on-going monitoring of accounts and transactions as a basic aspect of efficient "Know Your Customer" procedures. For this reason, banks are required to previously receive and define responses to one of the most important questions of what is the nature of normal and reasonable or normal or regular activities within their customer accounts. When they accomplish that, banks are required to provide for means or instruments, methods or procedures for detection of transactions that do not fit into such nature of customers' behavior and are also required to use these procedures to efficiently control and minimize the risk in operations with customers.*

*Scope of bank's work on monitoring activities on customer's accounts must be adjusted to needs for adequate risk sensitivity. For all of its accounts, banks are required to establish a system that would enable them to detect all unusual, irregular and suspicious types of activities.*

*Article 14*

*In order to ensure fulfillment of goals stated in the previous article, banks are required to:*

1. *establish limitations to certain types or categories of account transactions;*
2. *pay special attention to and verify all account transactions that exceed the established limitations;*
3. *define types of transactions that will alert the banks to a possibility of customers performing some unusual, irregular or suspicious transactions;*
4. *define types of transactions that, by their nature, mainly don't have economic or commercial purpose;*
5. *define benchmarks and/or nature of amounts of cash deposits that are inconsistent with normal or expected transactions performed by certain types of customers;*
6. *define bank actions in cases of large turnover on accounts where account balances are usually not too high;*
7. *develop official and comprehensive list of examples of suspicious transactions and examples and methods of possible money laundering and terrorism financing cases.*

*Article 15*

*As for accounts that represent higher level of risk, banks are required to establish a more intensive monitoring process. In order to identify the categories of accounts with higher level of risk, it is necessary for the banks to establish a package of key indicators based on which accounts will be categorized in groups, taking into account background information and other information of the customer such as sources of funds for the account, type and nature of transactions themselves, customer's home country, etc. For the accounts with higher risk level, banks are required to:*

1. *create an adequate system for information management that will assure that bank's management and officers authorized to monitor compliance of bank's performance with the requirements prescribed by the Law and regulations for this area have timely information necessary for identification, effective monitoring of customers' accounts with higher level of risk and their analysis. As minimum, this system has to include the following:*

a) *reporting about the documentation that is missing in order to have a full and safe customer identification;*
b) *reporting about strange, unusual and suspicious transactions performed through customers' accounts; and*
c) *reporting about an overall information regarding all customer's business relationships with bank.*

2. *make sure that the management responsible for bank's performance in the area of private banking has good knowledge of the situation of bank's customer that represents higher level of risk, to be alert and to evaluate the information that can be received from some third party. Significant transactions of those customers should be approved from the management.*

3. *adopt a clear policy, internal guidelines and procedures and to establish control with special task to control prudential performance in relation to a politically exposed individuals, other individuals and companies where it is confirmed or it is clear that they are connected to them.*

### *2. Monitoring for Purposes of Prevention of Terrorism Financing*

*Article 16*

*Reporting to an authorized institution and blockade of financial assets where bank has suspicion or knows that they are used to finance terrorism or individuals who support terrorism represents the main precondition to fight against terrorism. The most attention, banks have to pay to the following:*

1. *to the extent possible, check whether the funds coming from legitimate sources or businesses are, fully or partially, directed to support terrorist financing;*
2. *based on information received from the institution authorized to monitor and update the list of organizations and individuals related to terrorists or terrorism;*
3. *implementation of procedures for prevention of financing terrorists and terrorist organizations, including an urgent reporting to the authorized institutions about suspicious transactions detected;*
4. *attempts to discover a true identity and/or purpose of small transfers when purpose of the transfer and/or sender and/or recipient is precisely stated;*
5. *cases where customer's order unexpectedly results in zero balance;*
6. *the same like in the cases of money laundering where money is received and sent electronically, along with strange or unusual aspects, such as size of the amount, country where the money is sent, home country of the orderer, type of currency, etc.*
7. *non-profit and humanitarian organizations, especially if the activities are not in accordance with the registered activity; if the source of funds is not clear; if organizations receives funds from strange and suspicious sources.*

## *V. Policy on Money Laundering and Terrorism Financing Risk Management*

### *1. Responsibility of Bank's Bodies and Reporting*

*Article 17*

*Bank's Supervisory Board is responsible to adopt an effective Program and to ensure that banks are implementing adequate control procedures that will provide for program, policies and procedures, as well as their composite part, to be fully implemented in practice.*

*Bank's "Know Your Customer" policies and procedures should be effective and should include regular procedures for adequate and successful supervision by management board, internal control system, internal audit, delegation of duties, training of adequate employees and other segments that are in close connection with this area.*

*In order to implement bank's policies and procedures, bank's Program has to clearly define responsibilities and delegation to adequate carriers, that is, delegation to adequate organizational units or functions, management board, other management and other employees of bank.*

*Article 18*

*Line of reporting about strange, unusual and suspicious transactions of customers, **that are prescribed in the law,** must be clearly defined in written form. This reporting in practice has to be regular, effective and available to all parts of the bank and individuals, and fully in accordance with internally prescribed reporting policies and procedures.*

*Article 19*

*Along with the requirement from previous Article of this Decision, banks are required to adopt internal procedures for reporting to the authorized bodies outside of bank, which is in accordance with applicable laws and regulations, all prescribed information and data.*
*Banks are required to fully perform their reporting requirements according to the law of the prescribed institution.*

*Article 20*

*Banks are required to keep the documentation for all transactions performed by customers and in relationship with the customers, sorted by type, way they were performed and deadline prescribed by applicable law.*

*2. **Appointment of Activities Coordinators***

*Article 21*

*Bank's Supervisory Board is required to ensure that banks in their management appoint persons who will have responsibility for coordination of all activities of the bank in monitoring compliance with all laws and other prescribed requirements subject to this Decision and effective implementation of the Program.*

*Coordinator for bank's compliance with prescribed requirements for anti-money laundering activities and terrorism financing (the Coordinator) should:*

1. *be responsible for regular functioning of reporting function towards the authorized institutions, prescribed laws and other regulations, all transactions over the prescribed amount, all related and suspicious transactions;*
2. *be responsible for regular functioning of lines of reporting in accordance with the Program;*
3. *have required qualification, knowledge, experience and good working and moral reputation;*
4. *have necessary funds to perform its functions including at least two officers, where one of the is responsible for monitoring the process of detection of suspicious customers and the other is responsible for monitoring the line of reporting of authorities and internal lines of reporting, and they also have authorizations for making independent decisions and seeking legal support. With larger banks, it is necessary to estimate the need for several such officers;*

5. *on day-to-day basis, have full access to the customer monitoring system;*
6. *receive daily reports on suspicious activities of customers;*
7. *have authority to issue an order for implementation of procedures stated in the law, regulations and the Program, and inform the management and supervisory board of the bank on the same;*
8. *have ability to monitor local procedures and procedures on relations with abroad in order to confirm certain suspicions;*
9. *undertake certain steps to improve its knowledge and skills, as well as the knowledge and skills of his subordinates and of other relevant bank staff;*
10. *at least once every quarter, submit report to the supervisory board and management of the bank on bank's actions and bank's compliance with the Law on Prevention of Money Laundering and Terrorist Financing, as well as on actions taken against certain suspicious customers;*
11. *at least once a year, perform a review of adequacy of existing Program, policies and procedures and provide supervisory board with recommendations to update or improve the same;*
12. *if necessary, provide full support to activities performed by the bank's internal auditor;*
13. *in his procedures, include elements related to internal investigation of liability of bank staff who neglected their duties in this area;*

2. *Internal and External Audit of Banks*

*Article 22*

*Internal auditors in banks are required to perform regular controls and to ensure that the program, policies and procedures for prevention of money laundering and terrorism financing, that is "Know Your Customer" policies and procedures, are fully implemented and complied with all requirements stated the Law and other regulations.*

*Compliance of banks' operations with requirements stated in the Law and regulations should be a subject of independent review performed by the bank's internal auditors, which includes evaluation of adequacy of bank's policies and procedures from the aspect of legal requirements and other regulations.*

*A required function of internal audit in banks is to continuously monitor whether and how does bank staff perform and implement requirements stated in the program, policies and procedures, by using compliance tests if there is an adequate sample of customers, accounts and transactions, as well as to test the correctness of reporting of irregular, uncommon and suspicious transactions defined in the Law and other regulations.*

*Article 23*

*Internal audit function in banks should represent a full independent evaluation of risk management and performance of internal control systems in banks. Internal audit is required to periodically report the Audit Board and/or Supervisory Board of the bank on its findings and evaluations based on the law. These reports should include findings and evaluations of efficiency of banks regarding all issues prescribed by the law and regulations, program, policies and procedures of the bank which regulate bank's responsibilities in prevention of money laundering and terrorism financing. One important part of these reports is evaluation of adequacy of bank staff training in this area.*

*Article 24*

*Bank's supervisory board is required to ensure that its internal audit function is technically equipped with such personnel who have thorough knowledge of the program, policies and procedures, as well as who possess high ethical and expert capabilities, especially in the "Know Your Customer" area.*

*In addition to this, internal audit staff has to be fully proactive in monitoring activities that banks are required to perform on the basis of findings and evaluations done by the internal audit, external audit and enforcement bodies.*

*Article 25*

*In the process of performing independent external audit of their financial statements, banks are required to arrange with independent external audit firms to also work on evaluation of implementation of legal and regulatory requirements of banks, implementation of the program, policies and procedures, internal control systems and performance of internal audit in banks, as well as to evaluate whether bank's operations are in compliance with requirements related to prevention of money laundering and terrorism financing, by using testing technique.*

### *3. Bank Staff Training*

*Article 26*

*Banks are required to provide for continuous training of all its employees involved in their program of prevention of money laundering and terrorism financing. Content of this training should encompass, at the minimum, the following topics from the mentioned area:*

1. *legal requirements of banks and responsibilities stated in other regulations;*
2. *program, policies and procedures of the bank;*
3. *detailed elements of "Know Your Customer" policy;*
4. *exposure of banks to money laundering and risks to the bank and duties of bank staff;*
5. *strengths and weaknesses of financial institutions in prevention of money laundering and terrorism financing;*
6. *duties and authorities of the Coordinator;*
7. *internal control system;*
8. *internal audit system;*
9. *recommendations of the Basle Committee for Bank Supervision, especially related to customer due diligence;*
10. *FATF recommendations for prevention of money laundering and terrorism financing.*

*Banks are required to adjust the frequency of training and training topics mentioned in the previous paragraph to realistic needs of their organizational units, functions and/or its staff, and for purposes of timely compliance with new requirements and for purposes of learning about new events, as well as for the purposes of maintaining the existing knowledge and experience of its staff, banks are required to establish a regular training program.*

*In deciding on training needs and on types and scope of training mentioned in the previous paragraph, banks are required to adjust their training focus depending on whether training is intended to a newly employed staff, to staff directly working with customers, staff working with new customers, staff ensuring that bank's operations is complied with requirements of the law and other regulations, other executives, management and/or supervisory board, etc.*

*Through their training program, banks are required to ensure that all relevant staff fully understands the importance of and necessity for an efficient implementation of "Know Your Customer" policy and for such understanding to be a key of success in its implementation.*

*Article 27*

*In order to improve technical skills and efficiency of all staff, banks are required to develop a comprehensive manual that would include: Law on prevention of money laundering in FBiH, Rules on the method and deadlines for informing the Financial Police related to money laundering and on the method of maintaining a record of all gathered information, Law on Banks, other regulations prescribing prevention of money laundering and terrorism financing, Bank program, including all policies and procedures, rules for staff performance, methods of detection of illegal and suspicious activities, duties and authorities of the Coordinator, description of certain specific examples of misuse, translation of the Basle Committee publication on "customer due diligence", translation of the FATF Recommendations for prevention of money laundering and terrorism financing, staff training program and Attachment to this Decision.*

*Article 47 of the Law on banks defines that Banking Agency and Financial Police perform supervision of implementing anti-terrorist activities and that banks are required to submit their reports on these activities to the Agency and Financial Police.*

*12. Activities of Agency on prevention of financing terrorism reflect in issuing orders for persons:*

*- for persons who are in the terrorist lists published by relevant institutions,*
*- who are connected with the persons in the list of terrorists,*
*- from the list of Federal Ministry of Interior and*
*- from the list of the National Counter-terrorism Team.*

*To the date, the amount of financial resources blocked by the Agency with banks in Federation of Bosnia and Herzegovina is 7.994.026,02 KM, out of which 1.175.026,02 KM represent money at the bank accounts and 6.819.000,00 KM represent value of shares these persons have in Federation of Bosnia and Herzegovina's banks.*

*The amount of blocked funds in KM has been showed as follows:*

| Bank acc. | Customer | Financial resources | Securities (shares) | Total |
|---|---|---|---|---|
| 1. | Persons from list of terrorists | 74.264,92 | 3.413.300,00 | 3.487.564,92 |
| 2. | Persons connected with those from list of terrorists | 1.098.385,60 | 3.405.700,00 | 4.504.085,60 |
| 3. | Persons from the list of FMOI | 2.375,50 | - | - |
| 4. | Persons from the National Counter-terrorism Team's list | - | - | - |
| 5. | Total | 1.175.026,02 | 6.819.000,00 | 7.994.026,02 |

Examination procedure against some of those persons has not been finished yet.

13. To the date, the Agency has not lifted the blockade of any person's property previously blocked relating to Osama bin Laden and Al-Quaida or the Taliban or is connected with some individuals or legal persons. Examination of one case of a suspected person has not been finished yet.

14. Methodology and procedures the Agency uses in informing banks on restrictions imposed to some individuals or legal persons have been defined by the said provisions of the Law on Banking Agency, Law on banks and Decision on minimum standards for bank's activities on prevention of money laundering and terrorism financing. The Agency provides information for banks on persons from the said lists together with instructions explaining measures banks have to take in each concrete case. In cases when the said persons have financial resources in banks, the Agency orders temporary freeze of assets or property, then reporting to the Agency of all results. The Agency orders to banks opening special account with the Central Bank of Bosnia and Herzegovina to which controversial resources can be deposited in accordance with the amendment to the Law on Banking Agency effected by the High Representative for BiH. (quoted above).

Banks are required to automatically and quickly inform institutions responsible for supervision of all transactions for which they know or suspect that these transactions are connected with financing terrorism and to provide information on those transactions.

## CHAPTER IV – Travel ban:

15. Bosnia and Herzegovina state border crossings have been controlled by the State Border Service (SBS), operationally independent organizational unit within the Ministry of Security, which, pursuant to the Law on Ministries (Official Gazette No.5/2003), is authorized for international borders protection, internal border crossings and transport regulation at BiH border crossings.

*SBS on daily basis submits instructions to its field units on treatment of persons suspected of involvement in the activities of terrorism pursuant to the UN Security Council 1267 Resolution. In this context, if it happens that such persons make an attempt to cross BiH border, they are detained, SBS main office has been informed on this and, after detailed investigation, further procedures have been carried out as: refusal of the entry into BiH, transit ban through the territory of BiH, taking into custody, extradition etc.*

*16. Copies of the Security Council Resolutions have been delivered to all SBS field offices and other lower organizational units. Besides this list, there is search database at the border crossings as well, in which personal data have been filed of those from the wanted circular, sent out by local institutions and Interpol. This list is updated on daily basis. International wanted circular has been sent out for some persons from the UN 1267 Resolution list of whom the names have been filed in our search basis. Names of the persons some local and foreign intelligence-security services are especially interested in have been filed in the same data basis, regarding the entry control into and exit control from BiH territory.*

*Those persons' insufficient identification data produce problems. Sometimes it is very difficult with certainty to establish the identity of the controlled person (for example: date of birth or other necessary data are missing). It can be noticed as well that there are few versions of the same name, in particular of persons of Arabic origin, with minimal letter differences arising from translation from Arab language as Muhamed – Mohamed, making problems with identification, for you are not sure whether it is the same person or not. This requires additional checks through other available evidences and data basis.*

*17. "Stop list" and search lists have been regularly completed and updated with all our units and at international airports (Sarajevo, Banja Luka, Mostar and Tuzla) as well as with some individual units at the "green" border (Northeast field office). This is because the above-mentioned SBS units make connected system. Search lists for other SBS units have been updated weekly through providing new data. In regard to the filed names, particularly of foreigners, while checking a person with identical name and while adding a name to a computer, the computer reacts and sends positive signal for detailed checks for the purpose of establishing true identity. There is also a possibility of electronic search for the listed persons, pursuant to the UN Resolutions, suspected of terrorism, whose names have been in computers, but in this case the system is not able to react because the word is about separate database, which is not connected to the central SBS network.*

*18. To the date, BiH SBS officers have identified no person whose identity is identical to the identity of the listed persons.*

## ***CHAPTER V –Arms embargo***

*20. Export control system and current measures have been established at the state level. This means that all arms and military equipment export and import licenses have been issued by the Ministry of Foreign Trade and Economic Relations in cooperation with the Ministry of Foreign Affairs, the Ministry of Security and the Permanent Military Committee as set forth in the Instruction on*

*Regulating Export, Import and Transit and on Intervening in arms and Military Equipment Trading, published in the Official Gazette No.14/03. For the purpose of preventing purchase and development of elements and technologies necessary for development and production of arms and military equipment the Law on production of arms and military equipment has been put into procedure as well as the system of products of double use and its belonging technologies.*

*21. Measures taken for the purpose of preventing violation of embargo on terrorist groups' armament involve engagement of the Ministry of Foreign Affairs in obtaining consent on each individual case of arms and military equipment import or export as well as submitting necessary and valid documentation (End User Documentation) and check of every submitted document. While giving its consent to the arms and military equipment export BiH Ministry of Foreign Affairs takes care of:*

- *Bans and sanctions of the UN Security Council,*
- *International obligations taken over,*
- *Acting pursuant to the European Union Rules of Conduct in arms and military equipment export procedures,*
- *Principle of nonproliferation of arms for mass destruction,*
- *Respect for human rights in importing country.*

*22. Licensing system means that all the participants (legal and physical persons) and agents, in trading with arms and military equipment, must be registered with the Ministry of Foreign Trade and Economic Relations of BiH in specific registers according to the established procedures.*

*23. Protective measures we take in order to prevent arms and ammunition, produced in our country, to be used by terrorists or terrorist groups mean inclusion of all relevant institutions in BiH as well as institutions of International community, present in Bosnia and Herzegovina in the process of trading and production of arms and military equipment.*

## ***CHAPTER VI – Assistance and conclusions***

*24. Our country has already expressed its commitment to help other countries in the region to implement measures contained in UN Resolutions.*
*As a proposal we may mention relates to special memorandums or agreements with neighboring countries in the region concerning direct cooperation of operationally competent authorities and institutions in this field aiming at faster exchange of operational information and fully preventive effect.*